



*Final
Report*

County of San Diego, California

Auditor and Controller

**Firestorm 2007 Expenditures
Submitted for FEMA/OES
Reimbursement Validation Audit –
Health & Human Services Agency**

Office of **A**udits & **A**dvisory **S**ervices

**June 2009
Report No. A09-023**



COUNTY OF SAN DIEGO

INTER-DEPARTMENTAL CORRESPONDENCE

June 30, 2009

TO: Nick Macchione, Director
Health & Human Services Agency

FROM: Kenneth J. Mory
Chief of Audits

**FINAL REPORT: FIRESTORM 2007 EXPENDITURES SUBMITTED FOR FEMA/OES
REIMBURSEMENT VALIDATION AUDIT – HEALTH & HUMAN SERVICES AGENCY**

Enclosed is our report on the Firestorm 2007 Expenditures Submitted for FEMA/OES Reimbursement Validation Audit – Health & Human Services Agency. The report includes various audit findings and recommendations.

We have reviewed your responses and have attached them to the audit report. The actions taken and planned, in general, are responsive to the findings and recommendations in the report. As required under Board Policy B-44, we respectfully request that you provide quarterly status reports on the implementation progress of the recommendations.

If you have any immediate concerns about the report, please contact me at (858) 495-5662.



KENNETH J. MORY
Chief of Audits

AUD:FDL:aps

Enclosure

c: Donald F. Steuer, Chief Financial Officer
Tracy M. Sandoval, Assistant Chief Financial Officer/Auditor and Controller
Terry Hogan, Group Finance Director, Health & Human Services Agency

INTRODUCTION AND BACKGROUND

Starting on October 21, 2007, seven wildfires burned through the County of San Diego. These fires resulted in over 369,000 acres burned, or 13% of the County's total land mass. Extensive damage was caused to 1,751 homes, 800 outbuildings, 253 structures, 239 vehicles, and two commercial properties.

As declared by the Federal Emergency Management Agency (FEMA), Firestorm 2007's official incident period began October 21, 2007. It was officially closed as of March 31, 2008.

Beginning on October 21, 2007, various departments in San Diego County mobilized employees to assist in multiple disaster-related activities. County departments worked to procure and disseminate materials and to provide disaster assistance to County citizens with personal, property, and/or livestock issues, as well as to provide fire-fighting efforts and other services toward the safety and well-being of displaced and affiliated County residents.

The Director, Office of Emergency Services (OES), has been leading the overall County operational efforts while the Group Finance Director, Public Safety Group, has led the Finance team.

The Chief Financial Officer (CFO) requested that the Office of Audits & Advisory Services (OAAS) conduct an audit of the Health & Human Services Agency's (HHSA) Firestorm 2007 related expenditures amounts claimed for reimbursement to:

- 1) Prevent any material disallowance by the Office of Inspector General (OIG) of amounts claimed; and
- 2) Provide reasonable assurance to the CFO and County management that the claims and reimbursements are adequately supported.

HHSA submitted seven claims amounting to \$1,041,561 for donation, contract, and labor costs resulting from the October 2007 wildfires (Firestorm 2007). HHSA incurred these costs when its employees assisted evacuees with ambulance services, trauma care, vaccinations, and debris clean-up. The FEMA/OES project officer assigned DSR 1555, DSR 1828, HHSA 146, HHSA 147, HHSA 163, HHSA 164, and HHSA 165 as claim tracking numbers.

AUDIT SCOPE AND LIMITATIONS

The objective of the audit was to ensure that the department has gathered, organized, titled, and referenced documentation supporting cost claims on FEMA Project Worksheets (PWs) and State Damage Survey Reports (DSRs), and that all the supporting documentation will be maintained in a manner that the OIG and other reviewers can easily follow.

The information reviewed and submitted for reimbursement was based on expenditures as reported by HHSA. FEMA/OES project officers assigned to HHSA made the final eligibility determination. OAAS did not make eligibility determinations of the expenditures' submitted to FEMA/OES for reimbursement.

This audit was conducted in accordance with auditing standards prescribed by the Institute of Internal Auditors, Inc., as required by California Government Code, Section 1236.

METHODOLOGY

OAAS reviewed the supporting documentation for the HHSA costs submitted to FEMA or State for reimbursement by:

- Verifying that all supporting documentation was organized, titled, and cross-referenced with the line items listed on each PW or DSR;
- Reviewing the Damage Description and Scope of Work (SOW) to verify the types of expenses incurred in the PW or DSR;
- Comparing the amount reported on the PW or DSR to the amounts provided in supporting documentation to ensure the total amounts reconciled and that required documentation was provided;
- Recalculating the total amount claimed to ensure that the amount calculated from the supporting documentation agreed with the total amount listed on the PW or DSR;
- Reviewing payroll records to ensure the overtime hours incurred and rates applied were reconciled with those claimed on the PW, and to determine if overtime and related benefits were correctly calculated and properly supported; and
- Reviewing the expenditures to determine the purchases were correctly calculated and properly supported.

AUDIT RESULTS

OAAS' review of supporting documentation confirmed that contract costs of \$404,732 were properly substantiated. The original claim amount of \$1,041,561 was supported with HHSA contract expenditures of \$559,382 and claims paid by the County's insurer of \$272,482. OAAS did not clear \$636,829 for reasons outlined in the findings. The table below gives a detailed outline of HHSA claims reviewed by OAAS.

HHSA Firestorm 2007 Claims				
Claim Number	Amount Claimed	County Paid Amount	Insurance Paid Amount	Cleared
HHSA 146 ¹	\$ 581,726	\$ 404,732	\$ -	\$ 404,732
HHSA 163 ¹	\$ 65,494	\$ 65,336	\$ -	\$ -
DSR 1555	\$ 89,314	\$ 89,314	\$ -	\$ -
HHSA 164	\$ 228,675	\$ -	\$ 228,675	\$ -
HHSA 165	\$ 16,150	\$ -	\$ 16,150	\$ -
DSR 1828	\$ 27,657	\$ -	\$ 27,657	\$ -
HHSA 147	\$ 32,545	\$ -	\$ -	\$ -
Total	\$1,041,561	\$ 559,382	\$ 272,482	\$ 404,732

¹ Actual costs incurred were less than costs originally claimed.

FINDINGS

Finding I: Actual Costs Less than Claimed Costs

HHSA's original claim of \$1,041,561 resulted in actual expenditures of \$831,864. Only actual costs incurred by HHSA are eligible for FEMA/OES reimbursement. The difference of \$209,697 is attributable to:

- HHSA 146: Actual costs incurred of \$404,732 were \$176,994 less than the originally claimed amount of \$581,726.
- HHSA 147: Force Account Labor of \$32,545 has already been reimbursed and is not eligible for FEMA reimbursement. HHSA indicated it has already obtained funding for claimed costs from other external sources and will no longer seek reimbursement from FEMA. Per FEMA guidance,² duplicate benefits are not allowed and will result in the disallowance of part, or all, of the claim.
- HHSA 163: Actual costs incurred of \$65,336 were \$158 less than the originally claimed amount of \$65,494.

Finding II: Claims Paid by Insurance Carrier

Expenditures of \$272,482, claimed in DSR 1828, HHSA 164, and HHSA 165, were billed to and paid for by the County's insurance carrier. Although claim amounts match those invoiced to the insurance carrier, no amount can be cleared until insurance proceeds are settled and HHSA incurs direct expenditures related to these claims. Per FEMA/OES guidance, final costs claimed must represent actual costs incurred by the claiming organization less any reimbursement.

Finding III: PW HHSA 163 and DSR 1555 Out of FEMA/County Compliance

County procurement procedures were not followed with costs incurred of \$65,336 for HHSA163 and of \$89,314 for DSR 1555. Furthermore, HHSA anticipates these claims will be fully reimbursed by the County's insurance carrier. While all amounts in the claims are supported by documentation, they cannot be cleared by OAAS. Non-compliance with internal policies can be used as a basis to disallow FEMA/OES reimbursement. Because County procurement procedures were not followed, this amount cannot be cleared. Other issues identified include:

- Fire Ash Debris Testing of \$16,512: Amount could not be cleared because the expenditure could not be evaluated for FEMA compliance. The cost was incurred by the insurance adjuster who instructed the contractor to bill the County directly due to liability concerns. The FEMA guidebook does not give guidance on the reimbursable nature of costs incurred in this manner. As such, this cost is subject to further FEMA evaluation for fair and reasonable cost.

² FEMA Policy 9525.3

- Debris Removal of \$1,438: Support documentation revealed costs of \$1,438 were incurred for consulting activities not authorized by FEMA. FEMA originally approved this expenditure specifically for hazardous tree limb removal. FEMA requires any change to approved scope of work to be re-evaluated for their approval. These costs were also incurred by the insurance adjuster and paid directly to the contractor by the County.
- Tree Removal of \$136,700: This expenditure was approved for payment in support of getting the San Pasqual Academy back into operation. However, audit work discovered that Board of Supervisors Policy³ outlines that procurements exceeding \$100K require approval by the Board of Supervisors.⁴ Furthermore, County procurement procedures were not followed as indicated by the lack of a formal bid, lack of statement of work and lack of an evaluation for cost reasonableness.

RECOMMENDATIONS

HHSA is cleared by OAAS to request reimbursement for eligible expenditures from the Firestorm 2007 Trust Fund of \$404,732. OAAS recommends that HHSA take the following actions in accordance with the FEMA Public Assistance Guide:

Recommendation I: HHSA should consider adjusting overall claims by \$209,697 to reflect actual costs incurred as follows:

- HHSA 146: The original claim amount of \$581,726 should be adjusted by \$176,994 to reflect actual costs incurred of \$404,732.
- HHSA 147: Appropriate steps should be taken to withdraw claim of \$32,545 to prevent duplicate benefits from being obtained.
- HHSA 163: The original claim amount of \$65,494 must be adjusted by \$158 to reflect actual costs incurred of \$65,336.

Recommendation II: Resolve all insurance claims with the assistance of the Department of Human Resources' Risk Management Division to calculate final costs attributable to each HHSA claim which has insurance outstanding. Claims with outstanding insurance include: HHSA 163, HHSA 164, HHSA 165, DSR 1555, and DSR 1828.

Recommendation III: HHSA should consider taking the following actions on HHSA 163 and DSR 1555 in order to prepare the claims for possible additional FEMA/OES evaluation for cost fairness and reasonableness:

- Debris Removal of \$1,596: HHSA should only claim costs which fall in line with the FEMA approved scope of work. If not possible, HHSA 163 for \$1,596 should be withdrawn from FEMA claim.

³ Board of Supervisors Policy A-87: Competitive Procurements

⁴ Per A-87, the CAO has Board authorization to approve procurements of over \$100K during a time of exigency.

HHSA should maintain all original supporting documentation for the FEMA claims and keep them separate from other documentation. Also, HHSA should consider drafting comprehensive narratives for each claim to assist the understanding of future reviewers.

CONCLUSION

HHSA is cleared by OAAS to request reimbursement for eligible expenditures of \$404,732 from the Firestorm 2007 Trust Fund for PW HHSA 146.

COMMENDATION

The Office of Audits & Advisory Services commends and sincerely appreciates the courteousness and cooperation extended by the Health & Human Services Agency's officers and staff throughout this audit.

AUDIT TEAM

Jim Pelletier, Senior Audit Manager
Franco Lopez, Auditor II
Geena Balistreri, Auditor I

DEPARTMENT RESPONSE



County of San Diego
HEALTH AND HUMAN SERVICES AGENCY

NICK MACCHIONE, FACHE
DIRECTOR

TERRY HOGAN
FINANCE DIRECTOR

1700 PACIFIC HIGHWAY, SAN DIEGO, CALIFORNIA 92101-2417
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June 16, 2009.

RECEIVED

JUN 30 2009

OFFICE OF AUDITS &
ADVISORY SERVICES

TO: Kenneth J. Mory, Chief of Audits
Office of Audits & Advisory Services

FROM: Terry Hogan, Executive Finance Director
Health & Human Services Agency

Enclosed is the response to Health & Human Services Agency (HHSA) Reimbursement Validation Audit for Firestorm 2007.

The response includes concurrence to the findings and the actions that HHSA will take to address each of the audit findings and OAAS' recommendations.

Should you have any questions or need further explanation of the action plan, please feel free to contact me at (619) 515-6548.

Sincerely,

TERRY HOGAN
Executive Finance Director
Financial and Support Services Division

TH/dm
Enclosure

cc:

**FIRESTORM 2007 EXPENDITURES
REIMBURSEMENT VALIDATION AUDIT
HEALTH & HUMAN SERVICES AGENCY
RESPONSE TO FINAL AUDIT REPORT
JUNE 16, 2009**

Finding I: Actual Costs Less than Claimed Costs

OAAS Recommendation: Adjust overall claim to reflect actual costs incurred.

HHSA Response: Agree with recommendation. PW amounts submitted to FEMA are estimates only. HHSA will report actual amount when closeout report is submitted.

- o HHSA 146 (Ambulance Reimbursement) - Actual costs incurred of \$404,732 will be reflected in closeout. This is \$176,994 less than estimated PW amount.
- o HHSA 147 (Staff Overtime) - PW was submitted for staff overtime due to uncertainty of not being able to claim from grant funding. Overtime cost of \$32,545 was reimbursed by grant. HHSA will withdraw claim as soon as possible.
- o HHSA 163 - Actual costs incurred of \$ 65,336 will be reflected in closeout. This amount is \$158 less than estimated PW amount.

Finding II: Claims Paid by Insurance Carrier

OAAS Recommendation: Resolve all insurance claims with assistance of DHR Risk Management Division to calculate final cost for each HHSA claim which has insurance outstanding.

HHSA Response: Agree with recommendation. The county insurance company was not sure if these costs are reimbursable, thus, PW/DSR's were submitted. HHSA will be work with Susan Eldridge, Senior Risk & Insurance Analyst, Risk Management Division, to resolve all insurance claims.

Finding III: PW HHSA 163 and DSR 1555 Out of FEMA/County Compliance

OAAS Recommendation: the following actions on HHSA 163 and DSR 155:

- o **Debris Removal of \$1,596:** HHSA should only claim costs in line with the FEMA approved scope of work or, if not possible, this amount should be withdrawn from FEMA claim.
- o **Tree removal of \$136,700:** Proper retroactive authorization should be obtained from appropriate authority by fulfilling requirements outlined in Board Policy A-87

HHSA Response:

- o **Debris Removal of \$1,596:** Agree with recommendation. The description on the PW for this item does not match the description on the invoice. We will withdraw the amount.
- o **Tree removal of \$136,700:** Agree with recommendation, but believe responsibility to pursue retroactive authorization rests with Purchasing and Contracting. Purchase order was approved by Purchasing & Contracting. Controls will be in place to avoid the same issue happening in the future.